MUTALE

LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2014

Annual Financial Statements

for

Mutale Municipality

for the year ended 30 June:	***2014***
Province:	**Limpopo**
AFS rounding:	**R (i.e. only cents)**

Contact Information:

Name of Municipal Manager:	Razwiedani Shumani Samuel
Name of Chief Financial Officer:	Ramadiga Melvin Marutha
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Name of relevant Auditor:	Auditor General South Africa
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Mutale Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

General information

Members of the Council

Councillor A.S Rambuda	**Mayor**
Councillor L.H Netshipise	**Speaker**
Councillor A.H Nekhunguni	Chief Whip
Councillor N.A Lieba	Member of the Executive Committee
Councillor A.G Netshisaulu	Member of the Executive Committee
Councillor T.J Ruluswinga	Member of the Executive Committee
Councillor T.S Madume	
Councillor L.D Mpondo	
Councillor A.B Matshusa	
Councillor K.P Tshivhenga	
Councillor A.R Mavhungu	
Councillor N.G Mawela	
Councillor N.P Munzhelele	
Councillor M.J Mariba	
Councillor K.A Lukhalimana	
Councillor H.N Nephali	
Councillor N.E Mudzielwana	
Councillor T.S Pandelane	
Councillor V.R Maisha	
Councillor N.J Mukwevho	
Councillor A.S Thabatshira	
Councillor G.G Nekhubvi	
Councillor J.K Khunwana	
Councillor R.L Gababeni	
Councillor M.P Mbedzi	
Councillor L.M Netshisaulu	

Municipal Manager

Mr Razwiedani S.S

Chief Financial Officer

Mr Marutha R.M

Grading of Local Authority

Grade 2

Auditors

Auditor-General

Bankers

First National Bank

General information (continued)

Registered Office:	Old Manenu Building,Battalion Building,Mutale Town
Physical address:	New Municipal Offices Mutale 0956
Postal address:	**PRIVATE BAG X1254** MUTALE 0956
Telephone number:	015 967 9600
Fax number:	015 967 9677
E-mail address:	**info@mutale.gov.za**

Mutale Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages x to x, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.
I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager:

DATE

Mutale Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

Mutale Municipality
Satement of Financial Position
as at 30 June 2014

	Note	2014 R	2013 R Restated
ASSETS			
Current assets		**26 014 261**	**46 522 716**
Inventories	2	7 389 765	7 579 000
Cash and cash equivalents	3	4 281 522	20 368 910
Trade and other receivables from exchange transactions	4	129 756	175 158
Trade and other receivables from non-exchange transactions	5	7 401 516	7 934 342
VAT receivable	11	6 811 701	10 465 306
Non-current assets		**77 471 696**	**65 876 439**
Property, plant and equipment	6	74 827 599	63 162 863
Intangible assets	7	294 097	363 575
Investment Property	8	2 350 000	2 350 000
Total assets		**103 485 956**	**112 399 155**
LIABILITIES			
Current liabilities		**26 939 328**	**52 688 667**
Trade and other payables from exchange transactions	9	15 201 284	19 549 138
Consumer deposits	10	213 434	213 434
Current portion of unspent conditional grants and receipts	13	11 113 808	32 568 724
Current portion of long-term borrowings	14	348 889	309 183
Current portion of finance lease liability	15	61 914	48 189
Non-current liabilities		**2 520 562**	**2 836 857**
Non-current borrowings	14	499 751	848 640
Non-current finance lease	15	187 811	265 217
Non-current provisions	12	1 833 000	1 723 000
Total liabilities		**29 459 890**	**55 525 525**
Net assets		**74 026 066**	**56 873 630**
NET ASSETS		74 026 066	56 873 630
Accumulated surplus			
Total net assets		**74 026 066**	**56 873 630**

Mutale Municipality
Statement of Financial Performance
for the year ending 30 June 2014

	Note	2014 R	2013 R Restated
REVENUE			
Revenue from exchange transactions		**7 885 435**	**4 774 982**
Service charges	17	390 712	246 068
Rental of facilities and equipment	18	72 525	55 114
Interest earned - external investments	19	980 576	400 833
Interest earned - outstanding receivables	20	529 190	770 060
Licences and permits		2 200 226	2 104 141
Other income from exchange transactions	22	3 712 206	1 198 765
Revenue from non-exchange transactions		**91 419 137**	**65 490 464**
Property rates	16	2 298 561	1 440 169
Fines		422 660	538 020
Government grants and subsidies	21	88 697 916	63 512 275
Total revenue		**99 304 572**	**70 265 446**
EXPENSES			
Employee related costs	23	28 046 887	28 533 653
Remuneration of councillors	24	7 121 670	6 617 059
Bad debts		11 916 736	3 332 695
Depreciation and amortisation expense	25	2 881 066	2 135 593
Repairs and maintenance		1 290 270	1 308 755
Finance costs	26	139 310	179 317
Contracted services	27	1 729 085	1 438 940
General expenses	28	10 245 223	9 750 526
Total expenses		**63 370 248**	**53 296 538**
Impairment loss	29	-408 625	-4 528 550
Gain on fair value adjustment	30	-	-
Surplus for the period		**35 525 699**	**12 440 358**
Attributable to owners of the controlling entity		**35 525 699**	**12 440 358**
		-	**-**
Surplus for the period		**35 525 699**	**12 440 358**

Mutale Municipality
Statement of Changes in Net Assets
as at 30 June 2014

		Note	Accumulated Surplus/(Deficit) R	Total: Net Assets R
Balance at 30 June	**2012**	**43**		
Changes in accounting policy				
Correction of prior period error				
Restated balance				**-**
Correction of prior period error			26 060 009	**26 060 009**
Other items				
Other items				
Net gains and losses not recognised in the statement of financial performance				
Transfers to / from accumulated surplus/(deficit)				
Surplus / (deficit) for the period			12 440 358	**12 440 358**
Balance at 30 June	**2013**		**38 500 367**	**38 500 367**
Correction of prior period error				
Surplus / (deficit) for the period			35 525 699	**35 525 699**
Balance at 30 June	**2014**		**74 026 066**	**74 026 066**

Mutale Municipality
Cash Flow Statements
as at 30 June 2014

	Note	2014	2013
		R	R
			Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		**74 132 421**	**85 368 482**
Sales of goods and services		463 237	16 686
Grants		64 054 954	84 375 572
Interest received		980 576	976 225
Other receipts		8 633 653	
Payments		**51 591 802**	**47 060 514**
Employee costs		35 168 557	34 376 051
Suppliers		3 019 355	12 500 850
Interest paid		139 310	183 613
Other payments		**13 264 579**	
Net cash flows from operating activities	31	**22 540 619**	**38 307 968**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (PPE)		-22 335 744	
Proceeds from sale of fixed assets		80 000	-17 614 886
Proceeds from sale of investments			
Purchase of intangibles			
Decrease/(Increase) in Loans and receivables			
Movement			
Net cash flows from investing activities		**-22 255 744**	**-17 614 886**
CASH FLOWS FROM FINANCING ACTIVITIES		-357 372	-421 364
Proceeds from borrowings			
Repayment of borrowings		-309 183	-274 015
Proceeds from finance lease liability			
Repayment of finance lease liability		-48 189	-147 349
Net cash flows from financing activities		**-357 372**	**-421 364**
Net increase / (decrease) in cash and cash equivalents		4 281 522	20 271 718
Net cash and cash equivalents at beginning of period			97 192
Net cash and cash equivalents at end of period	32	**4 281 522**	**20 368 910**

1 ACCOUNTING POLICIES

1.1 BASIS OF ACCOUNTING

BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Standards and interpretations effective and adopted in the current year
In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when the municipality receives value from another party without This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, the municipality shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

☐ the approved and final budget amounts;

☐ the actual amounts on a comparable basis; and

☐ by way of note disclosure, an explanation of material differences between the budget for which the municipality is

Where the municipality prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

☐ are prepared using the same basis of accounting i.e. either cash or accrual;

☐ include the same activities and entities;

☐ use the same classification system; and

☐ are prepared for the same period.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 103: Heritage Assets

GRAP 103 defines heritage assets as assets which have a cultural, environmental, historical, natural,
Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:

☐ it is probable that future economic benefits or service potential associated with the asset will to the municipality;
☐ the cost of fair value of the asset can be measured reliably.

The standard required judgement in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

GRAP 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, the municipality has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

GRAP 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

GRAP 103 states that a heritage asset should not be depreciated, but the municipality should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The municipality should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The municipality treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 21: Impairment of Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 26: Impairment of Cash-generating Assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may beimpaired. If any such indication exists, the municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

☐ the future cash inflows used to determine the asset's or cash-generating unit's value in use; and

☐ the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that noncash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one entity and a financial liability or residual interest in another entity. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, the municipality considers the substance of the contract and not just the legal form.

Financial assets and financial liabilities are initially recognised at fair value. Where the municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. The municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Once the municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

The municipality derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, the municipality has transferred control of the asset to another entity.

The municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

The municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for the municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that the municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

GRAP 1 (as revised 2012): Presentation of Financial Statements

Minor amendments were made to the statement of financial performance as well as the statement of changes in net assets.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors

Amendments were made to changes in accounting policies. A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a Standard of GRAP would otherwise require or permit to be measured at fair value are no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 9 (as revised 2012): Revenue from Exchange Transactions

Amendments were made to the scope and definitions.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 12 (as revised 2012): Inventories

Amendments were made to measurement after recognition.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 13 (as revised 2012): Leases

Amendments were made to disclosures.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 16 (as revised 2012): Investment Property

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to the Standard of GRAP on Investment Property (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the assessment of significant use of an investment property has been clarified.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 17 (as revised 2012): Property, Plant and Equipment

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to the Standard of GRAP on Property, Plant and Equipment (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle, has been clarified.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material

New Standards and interpretations

IGRAP16: Intangible Assets - Website Costs

The interpretation deals with the treatment of the municipality's own website. It concludes that the municipality's own website that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets.

A website arising from development will be recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in the Standard of GRAP on Intangible Assets for recognition and initial measurement, the municipality can satisfy the requirements in paragraph .54 in the Standard of GRAP on Intangible Assets, which in particular requires the municipality to be able to demonstrate how its website will generate probable future economic benefits or service potential.

If the municipality is not able to demonstrate how a website developed solely or primarily for providing information about its own products and services will generate probable future economic benefits or service potential, all expenditure on developing such a website will be recognised as an expense when incurred.
A website that is recognised as an intangible asset under this interpretation will be measured after initial recognition by applying the requirements in the Standard of GRAP on Intangible Assets.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality has early adopted the interpretation for the first time in the 2013 annual financial statements.

The impact of the interpretation is not material

Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods:

GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The standard requires the municipality to recognise:

☐ a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and

☐ an expense when the municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

The standard states the recognition, measurement and disclosure requirements of:

☐ short-term employee benefits;

- all short-term employee benefits;

- short-term compensated absences;

- bonus, incentive and performance related payments;

☐ post-employment benefits: Defined contribution plans;

☐ other long-term employee benefits; and

☐ termination benefits.

The major difference between this this standard (GRAP 25) and IAS 19 is with regards to the treatment of actuarial gains and losses and past service costs. This standard requires the municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.
The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2014 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.
Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of the municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by the municipality within a particular region.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.
The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that
It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard
This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.
The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 106: Transfers of Functions Between Entities not Under Common Control

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of

In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between amount of consideration paid or received, if any, and the fair value of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

Specific disclosures are required when there is a transfer of functions between entities not under common control.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.
The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The municipality is unable to reliably estimate the impact of the amendment on the annual financial statements.

GRAP 107: Mergers

The objective of this standard is to establish accounting principles for the combined entity and the combining entity in a merger

A merger is where a new combined entity is started, no acquirer can be identified and the combining entities do not have any control over the combined entity.

In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a merger.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 1 (as revised 2012): Applying the Probability Test on Initial Recognition of Revenue

This interpretation of the Standards of GRAP now addresses the manner in which the municipality applies the probability test on initial recognition of both:

(a) exchange revenue in accordance with the Standard of GRAP on Revenue from Exchange Transactions; and

(b) non-exchange revenue in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

This interpretation supersedes the interpretation of the Standards of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue issued in 2009.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality expects to adopt the interpretation for the first time in the 2014 annual financial statements.

The impact of this interpretation is currently being assessed.

1.2 PROPERTY, PLANT AND EQUIPMENT

INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets when:

• it is probable that future economic benefits or service potetional associated with the item will flow to the entity; and

• the cost of the item can be measured reliably.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

INITIAL MEASUREMENT

Items of property, plant and equipment are initially measured at cost at the acquisition date.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

SUBSEQUENT EXPENDITURE

Where the entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent expenditure including major spare parts and servicing equipment qualify as property, plant and equipment if the recognition criteria are met.

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

DEPRECIATION

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciable amount is determined after taking into account an assets' residual value, where applicable. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure	
Electricity	20
Roads	20
Fencing	14
Other Assets	
Plant and equipment	20
Office Equipment	17
Furniture and fittings	17
Motor Vehicles	10
Other Vehicles	17
Computer Equipment	5
Community	
Buildings	30
Recreational Facilities	30
Bins	8

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

DERECOGNITION

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.3 INTANGIBLE ASSETS

INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitlised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:
• the municipality intends to complete the intangible asset for use or sale;
• it is technically feasible to complete the intangible asset;
• the municipality has the resources to complete the project; and
•it is probable that the municipality will receive future economic benefits or service potential; •the municipality has the ability to measure reliably the expenditure during development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

SUBEQUENT MEASUREMENT

Intangible assets are subsequently carried at cost less accumulated amoritisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in Statement of Financial Performance in the expense category consistent with the function of the intangible asset. During the period of development, the asset is tested for impairment annually.

AMORTISATION

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in acounting estimate in the Statement of Financial Performance.

DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.4 INVESTMENT PROPERTY

INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

Investment Property is initially recognised when future economic benefits or service potential are probable and the cost or fair value can be determined reliably.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

SUBSEQUENT MEASUREMENT

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. The assumptions for determining the fair value of the Investment property is set out in note 8 of the Financial Statements.

Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

DERECOGNITION

Investment property is derecognised when there is a disposal or no future economic benefits or service potential are to be derived from the property.

All gains or losses, which result from the derecognition, are recognised in the Statement of Financial Performance.

1.5 INVENTORIES

INITIAL RECOGNITION AND MEASUREMENT

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The basis of determining cost is the weighted-average method.

DERECOGNITION

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.6 FINANCIAL INSTRUMENTS

INITIAL RECOGNITION

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as a financial liabilities,

INITIAL MEASUREMENT

When a financial instrument is recognised, the entity measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

SUBSEQUENT MEASUREMENT

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

INVESTMENTS AT AMORTISED COSTS

Investments, which include [listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks] are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

INVESTMENT AT FAIR VALUE

Investments, which represent investments in residual interest for which fair value can be measured reliably, are subsequently measured at fair value.

Gains and losses in the fair value of such investments are recognised in the Statement of Financial Performance.

INVESTMENT AT COST

Investments at cost, which represent investments in residual interest for which there is no quoted market price and for which fair value cannot be measured reliably, are subsequently measured at cost.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

TRADE PAYABLES AND

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilties carried at amortised cost.

IMPAIRMENT OF FINANCIAL ASSETS

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

IMPAIRMENT FOR FINANCIAL ASSETS HELD AT AMORTISED COST

The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

IMPAIRMENT OF FINANCIAL ASSETS HELD AT COST

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

DERECOGNITION

A financial asset is derecognised only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset;
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

1.7 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.8 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.9 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.10 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating ;
- the expenditures that will be undertaken; and
-when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.11 BUDGET INFORMATION

The annual budget figures have been presented in accordance with the GRAP reporting framework. A separate statement of comparison of budget and actual amounts, which forms part of the annual financial statements has been prepared.The comparison of budget and actual amount will be presented on the same accounting basis, same classification basis and for the same entity and period as for the approved budget. The budget of the municipality is taken for a stakeholder consultative process and upon approvalthe approved budget is made publicly available

Material differences in terms of the basis, timing or entity have been disclosed in the notes to the annual financial statements.

The most recent approved budget by Council is the final budget for the purpose of comparison with the actual amounts.

1.12 LEASES

MUNICIPALITY AS LESSEE

RECOGNITION

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. The operating lease expense is recognised over the course of the lease arrangement.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

MEASUREMENT

Assets subject to a finance lease, as recognised in the Statement of Financial Position, are measured (at initial recognition) at the lower of the fair value of the assets and the present value of the future minimum lease payments. Subsequent to initial recognition these capitalised assets are depreciated over the contract term.

The finance lease liability recognised at initial recognition is measured at the present value of the future minimum lease payments. Subsequent to initial recognition this liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

The lease expense recognised for operating leases is charged to the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. To the extent that the straight-lined lease payments differ from the actual lease payments the difference is recognised in the Statement of Financial Position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability) as the case may be. This resulting asset and / or liability is measured as the undiscounted difference between the straight-line lease payments and the contractual lease payments.

DERECOGNITION

The finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

The operating lease liability is derecognised when the entity's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the entity no longer anticipates economic benefits to flow from the asset.

MUNICIPALITY AS LESSOR

RECOGNITION

For those leases that meet the definition of a finance lease, where the entity is the lessor, the entity derecognises the asset subject to the lease at the inception of the lease. Along with the derecognition of the asset the entity recognises a finance lease receivable. Finance lease income is allocated to between the finance lease receivable and finance income using the effective interest rate method and the resulting finance income is recognised in the Statement of Financial Performance as it accrues.

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease. Lease payments received under an operating lease are recognised as income, in the Statement of Financial Performance, in the period that the income accrues.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

MEASUREMENT

Finance lease receivables are recognised at an amount equal to the entity's net investment in the lease. This net investment in the lease is calculated as the sum of the minimum future lease payments and unguaranteed residual value discounted over the lease term at the rate implicit in the lease.

Rental Income from operating leases is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

DERECOGNITION

Finance lease receivables are derecognised when the entity's right to the underlying cash flows expire or when the entity no longer expects economic benefits to flow from the finance lease receivable.

Operating lease liabilities are derecognised when the entity's obligation to provide economic benefits or service potential under the lease agreement expires. Operating lease assets are derecognised when the entity's right to the underlying cash flows expire or the entity no longer expects economic benefits to flow from the operating lease asset.

1.13 REVENUE

REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

RECOGNITION

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:
a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

b) The amount of revenue can be measured reliably; and
c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising out of situations where the entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services.

MEASUREMENT

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

EXPENDITURE FROM EXCHANGE

Expenditure arising from exchange-transactions is similar to the policy for exchange revenue.

REVENUE FROM NON-EXCHANGE TRANSACTIONS

RECOGNITION

Revenue from non-exchange transaction arises when the entity either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

MEASUREMENT

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

EXPENDITURE RELATING TO NON-EXCHANGE TRANSACTIONS

Expenditure arising from non-exchange transactions is similar to policy for non-exchange revenue.

1.14 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.15 EMPLOYEE BENEFITS

SHORT TERM EMPLOYEE BENEFITS

Short term employee benefits encompasses all those benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year. Therefore, short term employee benefits include remuneration, compensated absences and bonuses.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

OTHER LONG-TERM EMPLOYEE

The Entity provides long-term incentives to eligible employees, payable on completion of years of employment. The Entity’s liability is based on an actuarial valuation. The projected unit credit method has been used to value the obligation. Actuarial gains and losses on the long-term incentives are fully accounted for in the statement of financial performance.

1.16 IMPAIRMENT OF NON-FINANCIAL ASSETS

RECOGNITION

The entity assesses at each reporting date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset exceeds its recoverable amount (or recoverable service amount in the case of non-cash-generating assets), the asset is considered impaired and is written down to its recoverable amount (or recoverable service amount.

MEASUREMENT

An asset's recoverable amount (or recoverable service amount) is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use. This recoverable amount (or recoverable service amount) is determined for individual assets, unless those individual assets are part of a larger cash generating unit, in which case the recoverable amount (or recoverable service amount) is determined for the whole cash generating unit.

An asset is part of a cash generating unit where that asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

In determining the recoverable amount (or recoverable service amount) of an asset the entity evaluates the assets to determine whether the assets are cash generating assets or non-cash generating assets.

For cash generating assets the value is use is determined as a function of the discounted future cash flows from the asset. In assessing value-in-use for cash-generating assets, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, other fair value indicators are used.

Where the asset is a non-cash generating asset the value in use is determined through depreciated replacement cost, restoration cost approach or service units approach.The decision to the approach to use is dependent on the nature of the identified impairment.

Impairment losses of continuing operations are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

REVERSAL OF IMPAIRMENT

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

IMPAIRMENT OF SPECIFIC NON-FINANCIAL ASSETS

PROPERTY, PLANT AND EQUIPMENT

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

INTANGIBLE ASSETS

The entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Irrespective of whether there is any indication of impairment, the municipality also tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

HERITAGE ASSETS

Where the carrying amount of an item of heritage asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of heritage asset have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

1.17 CAPITAL COMMITMENTS

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:
-where the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

1.18 EVENTS AFTER REPORTING PERIOD

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. The municipality must ensure that all adjusting and non-adjusting events after the reporting period are identified.

Adjusting events after the reporting period

Adjusting events after the reporting period are those events that provide evidence of conditions that existed at the reporting date. A municipality should adjust the amounts recognised in its annual financial statements to reflect adjusting events after the reporting period.

Non-adjusting events after the reporting period

Non-adjusting events after the reporting period are those that are indicative of conditions that arose after the reporting date. A municipality shall not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting period but may need to disclose these events in the notes to the AFS depending on its materiality.

1.19 RELATED PARTY

The Entity regards a related party as a person or an entity with the ability to control individually or jointly, or exercise significant influence over the Entity, or vice versa. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members and section 57 Managers.

	Note	2014 R	2013 R
2 INVENTORIES			**Restated**
Land inventory		7 179 000	7 579 000
Consumable		210 765	121 287
Closing balance of inventories		**7 389 765**	**7 700 287**

3 CASH AND CASH EQUIVALENTS

		2014 R	2013 R
Cash and cash equivalents consist of the following:			
Cash on hand		6 515	9 927
Cash at bank		4 275 006	301 064
Call deposits		-	20 057 919
		4 281 522	**20 368 910**

The Municipality has the following bank accounts: -

		2014 R	2013 R
Current Account (Primary Bank Account)			
FNB Bank - Current Account 54660083097			
Cash book balance at beginning of year		297 047	85 927
Cash book balance at end of year		4 275 006	297 047
Bank statement balance at beginning of year		395 821	196 133
Bank statement balance at end of year		4 985 785	395 821
Current Account (Other Account)			
FNB Bank - Investment Account 62047182556			
Cash book balance at beginning of year		4 017	3 985
Cash book balance at end of year		-	4 017
Bank statement balance at beginning of year		4 017	3 985
Bank statement balance at end of year			4 017
Fixed Deposits			
FNB Bank Fixed Deposit account			
Cash book balance at beginning of year			
Cash book balance at end of year			20 057 919
Bank statement balance at beginning of year			
Bank statement balance at end of year			20 057 919
Cash on hand		6 515	9 927
Total cash and cash equivalents		**4 281 522**	**20 358 983**

	Note	2014 R	2013 R
4 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS	**Gross Balances**	**Provision for Doubtful Debts**	**Net Balance**
Trade receivables	**R**		
as at 30 June 2014			
Service debtors			
Refuse	1 116 690	986 934	129 756
Total	**1 116 690**	**986 934**	**129 756**
Total Trade and other receivables	**1 116 690**	**986 934**	**129 756**
as at 30 June 2013			
Service debtors			
Refuse	842 794	667 636	175 158
Total	**842 794**	**667 636**	**175 158**
Total Trade and other receivables	**842 794**	**667 636**	**175 158**

Aging Refuse and Sundry Debtors	2014	2013
Current	44 141	18 272
30 Days	25 782	19 373
60 Days	25 760	19 195
90 Days	27 443	15 897
120 Days	25 742	18 458
150 Days	24 498	18 479
180 Days	943 309	733 120
Total	**1 116 690**	**842 794**

Reconciliation of the doubtful debt provision	2014	2013
Balance at beginning of the year	667 636	537 720
Contributions to provision	319 298	129 916
Doubtful debts written off against provision		
Reversal of provision		
Balance at end of year	**986 934**	**667 636**

The fair value of trade and other receivables approximates their carrying amounts.

	Note	2014 R	2013 R

5 TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2014	2013
Trade receivables - Property Rates	1 910 138	2 806 414
Traffic fine debtors	803 340	620 820
National Treasury		
Eskom Deposits	232 199	232 199
Other debtors	4 455 839	4 274 909
Total	**7 401 516**	**7 934 342**

Trade receivables - Property Rates

as at 30 June 2014	**Gross Balances** **R**	**Provision for Doubtful Debts** **R**	**Net Balance** **R**
Property Rates	3 947 278	2 037 140	1 910 138
	3 947 278	**2 037 140**	**1 910 138**

as at 30 June 2013	**Gross Balances** **R**	**Provision for Doubtful Debts** **R**	**Net Balance** **R**
Property Rates	7 684 589	4 878 175	2 806 414
	7 684 589	**4 878 175**	**2 806 414**

Property Rates: Ageing

	2014	2013
Current	1 759 548	177 130
30 Days	62 224	139 724
60 Days	72 274	153 190
90 Days	58 440	168 901
120 Days	88 670	148 701
150 Days	978 396	144 961
180 Days	927 726	6 751 982
Total	**3 947 278**	**7 684 589**

Other debtors **as at 30 June 2014**	**Gross Balances**	**Provision for Doubtful Debts**	**Net Balance**
Sundry debtors	1 525 654	657 821	867 834
Traffic fine debts	803 340	803 340	-
VAT receivable	7 718 162	7 718 162	-
	10 047 156	**9 179 323**	**867 834**

Other debtors
Other debtors

as at 30 june 2013	**Gross Balances**	**Provision for Doubtful Debts**	**Net Balance**
Sundry debtors	1 448 464	789 482	658 982

Reconciliation of the doubtful debt provision for property rates

	2014	2013
Balance at beginning of the year	4 878 175	2 500 247
Contributions to provision		2 413 298
Doubtful debts written off against provision		-35 370
Reversal of provision		
Balance at end of year	**2 037 140**	**4 878 175**

The fair value of property rates approximates their carrying amounts.

MUTALE LOCAL MUNICIPALITY

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
AS AT 30 JUNE 2014

	Cost / Revaluation					Accumulated Depreciation								
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals		Impairment loss/Reversal of impairment loss	Closing Balance	Transfers	Other movements	Carrying Value
6 Land and Buildings	**13 943 442**	**-**	**-**	**-**	**13 943 442**	**(1 244 869)**	**(246 983)**	**-**	**-**	**-**	**(1 491 852)**	**-**	**-**	**12 451 590**
Building	10 553 442	-			10 553 442	(1 244 869)	(246 983)				(1 491 852)			9 061 590
Land	3 390 000	-			**3 390 000**	-					**-**			3 390 000
Infrastructure	**36 821 793**	**15 279 943**	**-**	**9 069 930**	**52 101 736**	**(1 406 469)**	**(1 512 637)**	**-**	**-**	**-**	**(2 919 106)**	**-**	**-**	**49 182 630**
Electricity	2 552 721				**2 552 721**	(494 948)	(127 636)				**(622 584)**			**1 930 137**
Roads/Culverts	**34 269 072**	**15 279 943**		9 069 930	**49 549 015**	**(911 521)**	**(1 385 001)**				**(2 296 522)**			**47 252 493**
Community Assets	**2 300 652**	**-**	**-**	**-**	**2 300 652**	**(666 885)**	**(99 356)**	**-**	**-**	**(209 031)**	**(557 210)**	**-**	**-**	**1 743 442**
Sport Facilities	909 663				**909 663**	(209 031)	-			(209 031)	**-**			**909 663**
Fencing	1 390 989				1 390 989	(457 854)	(99 356)				(557 210)			833 779
Other Assets	**10 425 889**	**7 055 801**	**-**	**-**	**17 481 690**	**(5 659 001)**	**(1 275 242)**	**-**	**-**	**(404 953)**	**(7 339 196)**	**-**	**-**	**11 449 936**
Plant and Equipment	1 570 459	5 751 312			**7 321 771**	(367 592)	(656 974)				(1 024 565)			**6 297 206**
Furniture & fittings	969 607	131 278			**1 100 886**	(552 417)	(60 740)				(613 157)			**487 728**
Bins and Containers	24 501				**24 501**	(21 438)	(3 063)				(24 501)			**-**
Motor vehicle	3 309 361	597 890			**3 907 251**	(1 801 097)	(184 390)			(290 462)	(2 275 949)			**1 631 302**
Office equipments	1 615 975				1 615 975	(876 881)	(93 069)			(103 920)	(1 073 870)			749 946
Computer Equipment	1 190 389	19 221			**1 209 609**	(939 975)	(148 613)			(10 571)	(1 099 159)			**110 450**
Trucks	1 745 597	556 100			2 301 697	(1 099 602)	(128 393)				(1 227 995)			**2 173 304**

MUTALE LOCAL MUNICIPALITY

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
AS AT 30 JUNE 2013

	Cost / Revaluation					Accumulated Depreciation								
	Opening Balance	**Additions**	**Disposals**	**Restated/Adjustment**	**Closing Balance**	**Opening Balance**	**Depreciation**	**Disposals**		**Impairment loss/Reversal of impairment loss**	**Closing Balance**	**Transfers**	**Other movements**	**Carrying Value**
Land and Buildings	**13 943 442**	**-**	**-**	**-**	**13 943 442**	**-1 229 613**	**-303 554**	**-**	**-**	**-**	**-1 533 167**	**-**	**-**	**12 410 276**
Buildings	10 553 442	-	-		**10 553 442**	(1 229 613)	(303 554)	-			**(1 533 167)**			**9 020 276**
Land	3 390 000				**3 390 000**	-	-				**-**	-	-	**3 390 000**
Infrastructure	**44 506 408**	**15 959 133**	**-**	**(23 643 748)**	**36 821 793**	**(953 584)**	**(452 885)**	**-**	**-**	**-**	**(1 406 469)**	**-**	**-**	**35 415 324**
Electricity	2 552 721				2 552 721	(367 312)	(127 636)				(494 948)			2 057 773
Roads	41 953 687	15 959 133		(23 643 748)	34 269 072	(586 272)	(325 249)				**(911 521)**			**33 357 551**
Water														
Community Assets	**4 070 192**	**-**	**-**	**-**	**4 070 192**	**(721 580)**	**(158 341)**	**-**	**-**	**-**	**(879 921)**	**-**	**-**	**3 190 271**
Sport Facilities	2 679 203				2 679 203	(363 082)	(58 985)				(422 067)			2 257 136
Fencing	1 390 989				**1 390 989**	(358 498)	(99 356)				**(457 854)**			**933 135**
Other Assets	**9 579 106**	**851 844**	**(5 061)**	**-**	**10 425 889**	**(4 510 704)**	**(1 152 725)**	**-**	**-**	**(4 428)**	**(5 659 001)**	**-**	**-**	**12 146 993**
Plant and Equipment	1 399 406	171 053			1 570 459	(294 675)	(72 917)				(367 592)			1 202 867
Furniture and fittings	969 607				969 607	(488 603)	(63 814)				(552 417)			417 190
Bins and Containers	29 562		**(5 061.00)**		**24 501**	(22 172)	(3 695)			(4 428)	**(21 438)**			**(1 366)**
Motor vehicles	2 662 815	646 546			3 309 361	(1 136 122)	(664 975)				(1 801 097)			5 110 458
Office equipments	1 615 975				1 615 975	(778 615)	(98 265)				(876 881)			2 492 856
Computer Equipment	1 156 143	34 245			1 190 389	(793 598)	(146 377)				(939 975)			2 130 364
Trucks	1 745 597				**1 745 597**	(996 919)	(102 682)				**(1 099 602)**			**794 624**

	Note	2013 R Restated

7 INTANGIBLE ASSETS

Reconciliation of carrying value	Computer Software R	Total R
as at 1 July 2013	363 575	363 575
Cost	555 824	555 824
Correction of error		
Change in accounting policy		
Accumulated amortisation and impairment losses	192 249	192 249
Acquisitions	-	
Amortisation	69 478	
as at 30 June 2014	**294 097**	**294 097**
Cost	555 824	555 824
Accumulated amortisation and impairment losses	261 727	261 727

Reconciliation of carrying value	Computer Software R	Total R
as at 1 July 2012	**343 678**	**343 678**
Cost	469 288	469 288
Accumulated amortisation and impairment losses	125 610	125 610
Additions	86 536	86 536
Amortisation	66 639	66 639
as at 30 June 2013	**363 575**	**363 575**
Cost	555 824	555 824
Accumulated amortisation and impairment losses	192 249	192 249

8 INVESTMENT PROPERTY CARRIED FAIR VALUE

Reconciliation of carrying value	Investment property R	Total R
as at 1 July 2012		
Cost	2 350 000	2 350 000
Correction of error		
Fair value adjustments		
as at 30 June 2013		
Fair value	2 350 000	2 350 000

INVESTMENT PROPERTY CARRIED AT FAIR VALUE

Reconciliation of fair value	Investment property R	Total R
as at 1 July 2013	2 350 000	2 350 000
Fair value adjustment	-	-
as at 30 June 2014	**2 350 000**	**2 350 000**

An external, independent valuation entity, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the entity's investment property portfolio annually. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

	2014 R	2013 R
9 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		**Restated**
Trade creditors	1 867 454	5 794 714
Payments received in advance	108 457	127 412
Retentions	3 287 410	3 339 330
Staff leave accrual	2 891 285	2 093 631
Accrued bonus	757 359	562 977
Other creditors	6 289 318	7 631 074
Total	**15 201 284**	**19 549 138**

The fair value of trade and other payables approximates their carrying amounts.

10 CONSUMER DEPOSITS

Rental deposits	213 434	213 434
Total consumer deposits	**213 434**	**213 434**

11 VAT RECEIVABLE

Vat receivalbles	7 718 162	7 712 521
Vat receivalbles	8 127 369	3 185 992
Impairment	-7 718 162.16	-
	8 127 369	**10 898 513**
VAT payables	-1 315 668	-433 207
VAT Reveivables	**6 811 701**	**10 465 306**

The Mutale is registered for VAT on an invoice basis. The VAT receivables was impaired as a result of an impairment against debtors.

12 NON-CURRENT PROVISIONS

Provision for long-service awards	1 833 000	1 723 000
Total Non-Current Provisions	**1 833 000**	**1 723 000**

An external, independent actuary, having appropriate recognised professional qualifications and recent experience in this field was engaged to do valuation of long service award provision. The key assumptions used in the valuation, with the prior years' assumptions shown for comparison,
are summarised below:

Discount rate	8.40%	7.25%
CPI	6.23%	6.25%
Salary increase at rate 6.90%	7.23%	7.15%
Net discount rate	1.09%	0.09%
Mortality SA85-90 SA85-90	SA85-90	SA85-90
Normal retirement age	63	63

13 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

National Lottery Grant	1 227 722	1 227 722
Municipal Infranstructure Grant	3 188 046	-
Disater Grant	15	24 642 977
Operations and Maintenance Grant (Vhemde District Municipality)	6 698 025	6 698 025
	11 113 808	**32 568 724**
Total Unspent Conditional Grants and Receipts		
Non-current unspent conditional grants and receipts	**-**	
Current portion of unspent conditional grants and receipts	**11 113 808**	**32 568 724**

Financial Management Grant (FMG)

Balance unspent at beginning of year	-	
Current year receipts	1 650 000	1 500 000
Conditions met - transferred to revenue	-1 650 000	-1 500 000
Conditions still to be met - remain liabilities	-	-

Municipal Infrastrusture Grant (MIG)

Balance unspent at beginning of year	0	4 908 888
Current year receipts	18 783 000	16 977 000
Conditions met - transferred to revenue	-15 594 954	-17 485 888
Funds withheld	-	-4 400 000
Conditions still to be met - remain liabilities	**3 188 046**	**0**

	2014 R	2013 R
Municipal Systems Improvement Grant (MSIG)		
Balance unspent at beginning of year	-	-
Current year receipts	890 000	790 000
Conditions met - transferred to revenue	-890 000	-790 000
Conditions still to be met - remain liabilities	**-**	**-**
National Lottery Grant		
Balance unspent at beginning of year	1 227 722	1 227 722
Current year receipts		
Conditions met - transferred to revenue		
Conditions still to be met - remain liabilities	**1 227 722**	**1 227 722**
Expanded Public Works Programme Grant		
Balance unspent at beginning of year		-
Current year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	-1 000 000	-1 000 000
Conditions still to be met - remain liabilities	**-**	**-**
Integrated National Electrification Programme		
Balance unspent at beginning of year	-1 804 323	-1 123 958
Current year receipts		
Conditions met - transferred to revenue		-680 365
Conditions still to be met - remain liabilities	**-1 804 323**	**-1 804 323**

	2014 R	2013 R
Disaster Grant		
Balance unspent at beginning of year	24 642 977	-
Current year receipts	-	24 700 000
Conditions met - transferred to revenue	-24 642 962	-57 023
Conditions still to be met - remain liabilities	**15**	**24 642 977**
Operations & Maintenance Grant (Vhembe District Municipality)		
Balance unspent at beginning of year	6 698 025	6 698 025
Current year receipts		-
Conditions met - transferred to revenue		-
Conditions still to be met - remain liabilities	**6 698 025**	**6 698 025**

Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, 2014), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

14 BORROWINGS

	2014	2013
Long-term loan	499 751	848 640
Non - current borrowings	**499 751**	**848 640**
Current portion transferred to current liabilities		
Long-term Loan	348 889	309 183
Total borrowings	**848 640**	**1 157 823**

Refer to Appendix A for more detail on borrowings.

15 FINANCE LEASE LIABILITY

2014 **Amounts payable under finance leases**	**Minimum lease payment** **R**	**Future finance charges** **R**	**Present value of minimum lease payments** **R**
Within one year	61 914	26 834	88 748
Within two to five years	138 190	22 787	160 977
	200 104	**49 621**	**249 725**
Less: Amount due for settlement within 12 months (current portion)			-61 914
			187 811

2013 **Amounts payable under finance leases**	**Minimum lease payment** **R**	**Future finance charges** **R**	**Present value of minimum lease payments** **R**
Within one year	48 189	15 493	63 681
Within two to five years	200 104	49 620	249 725
	248 293	**65 113**	**313 406**
Less: Amount due for settlement within 12 months (current portion)			-48 189
			265 217

The lease term is for 3 years escalating at 0% per annum and no arrangement have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

	2014 R	2013 R
16 PROPERTY RATES		
Actual		
Property rates	2 298 561	1 440 169
Total property rates	**2 298 561**	**1 440 169**
Property rates - penalties imposed and collection charges	-	-
Total	**2 298 561**	**1 440 169**

	PBO & CRECHES	Household	Business	Industrial/ Commercial	State owned
Total value of land plus improvement	30 696 000	184 913 000	60 783 000	33 061 000	85 162 000
Property rate	**0.004**	**0.002**	**0.004**	**0.004**	**0.004**

	2014 R	2013 R
17 SERVICE CHARGES		
Refuse removal	390 712	246 068
Total Service Charges	**390 712**	**246 068**
18 RENTAL OF FACILITIES AND EQUIPMENT		
Rental of facilities	72 525	55 114
Total rentals	**72 525**	**55 114**
19 INTEREST EARNED - EXTERNAL INVESTMENTS		
Bank	95 489	28 169
Financial assets	885 087	372 664
Total interest	**980 576**	**400 833**
20 INTEREST EARNED - OUTSTANDING RECEIVABLES		
Consumer Debtors	529 190	770 060
Total interest	**529 190**	**770 060**

21 GOVERNMENT GRANTS AND SUBSIDIES

	2014 R	2013 R
Equitable Share	44 920 000	41 989 000
Expanded Public Works Programme Grant (EPWP)	1 000 000	1 000 000
Financial Management Grant (FMG)	1 650 000	1 500 000
Municipal Infrastrusture Grant (MIG)	15 594 954	17 485 888
Municipal Systems Improvement Grant (MSIG)	890 000	800 000
Integrated National Electrification Grant		680 365
Disaster Grant	24 642 962	57 023
Total Government Grant and Subsidies	**88 697 916**	**63 512 275**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of which is funded from the grant.

Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, 2013 of, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

22 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS

Other income

	2014 R	2013 R
Commision on Sale of sites	2 663 919	390 543
Sale of sites	545 958	310 823
Other Income	502 329	497 399
Total Other Income	**3 712 206**	**1 198 765**

23 EMPLOYEE RELATED COSTS

	2014 R	2013 R
Employee related costs - Salaries and Wages	19 568 511	18 110 533
Bonus	1 578 092	1 329 683
Employee related costs - Contributions for UIF, pensions and medical aids	5 090 337	4 560 080
Housing benefits and allowances	27 256	29 160
Overtime payments	464 887	359 071
Transport Allowances	2 794 424	2 266 401
Long-service awards	161 099	273 223
Performance bonus	-	667 451
Leave Gratuity	1 040 684	137 947
Cellphone Allowance	181 952	160 400
Subsistence Allowances	-	43 752
Reimbursive Travelling Allowance	-	301 936
Shift and Acting Allowance	119 800	221 916
Other employee related costs	82 024	72 099
Total	**31 109 066**	**28 533 653**
Expenditure recharged to Capital Projects(In -House)	**-3 062 179**	**-**
Total	**28 046 887**	**28 533 653**

There were no advances to employees

Remuneration of the Municipal Manager		
Annual Remuneration	473 500	183 596
Travel and Related Allowances	198 937	
Backpay		193 876
Cellphone Allwances	18 000	43 508
Contributions to UIF, Medical and Pension	105 736	
Total	**796 173**	**420 980**

Remuneration of the Chief Finance Officer		
Annual Remuneration	458 379	210 213
Travel and Related Allowances	217 121	220 644
Performance and other bonuses		38 965
Contributions to UIF, Medical and Pension	94 051	6 539
Leave Grauity		
Acting Allowances		
Total	**769 551**	**476 361**

Remuneration of Individual Executive Directors	**Technical Services R**	**Corporate Services R**
2014		
Annual Remuneration	451 277	366 518
Performance- and other bonuses		
Travel, motor car, accommodation, subsistence and other allowances	209 593	299 814
Contributions to UIF, Medical and Pension Funds	91 654	71 128
Total	**752 525**	**737 460**

	Technical Services R	**Corporate Services R**
2013		
Annual Remuneration	450 276	450 276
Performance- and other bonuses	12 000	12 000
Travel, motor car, accommodation, subsistence and other allowances	199 626	199 626
Contributions to UIF, Medical and Pension Funds	105 031	105 031
Total	**766 933**	**766 933**

	2014 R	2013 R
24 REMUNERATION OF COUNCILLORS		
Mayor	701 573	610 601
Speaker	543 841	456 550
Chief Whip	497 568	430 570
Executive Committee Members	1 086 123	882 973
Councillors	2 457 730	3 519 429
Councillors' pension and medical aid contributions	433 057	683 916
Councillors' allowances	1 401 778	33 020
Total Councillors' Remuneration	**7 121 670**	**6 617 059**

In-kind Benefits

The Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

25 DEPRECIATION AND AMORTISATION EXPENSE

	2014 R	2013 R
Property, plant and equipment	2 881 066	2 135 593
Total Depreciation and Amortisation	**2 881 066**	**2 135 593**

26 FINANCE COSTS

	2014 R	2013 R
Borrowings	139 310	176 317
Other interest	-	3 000
Bank overdrafts	-	-
Total Finance Costs	**139 310**	**179 317**

27 CONTRACTED SERVICES

	2014 R	2013 R
Security	431 600	415 765
Other	-	4 347
Professional	1 297 485	1 018 828
	1 729 085	**1 438 940**

28 GENERAL EXPENSES

Included in general expenses are the following:-

	2014 R	2013 R
Advertising	225 095	194 007
Audit fees	1 734 366	1 141 552
Bank charges	105 489	111 429
Bursaries	5 099	35 206
Cleaning	80 163	99 866
Conferences and delegations	27 809	40 242
Entertainment	7 610	15 855
Electricity	665 874	1 514 079
Electrical Projects	16 667	593 699
Insurance	299 513	178 616
Legal expenses	208 530	140 937
Licence fees - vehicles	36 456	34 107
Postage	3 148	3 607
Printing and stationery	516 929	457 545
Professional fees	12 649	263 475
Rental of computer equipment	117 232	188 368
Other rentals	56 111	36 430
Staff welfare	37 580	69 621
Telephone cost	369 176	366 983
Training	228 084	355 885
Travel and subsistence	305 812	955 033
Ward Committees	920 000	762 019
Cost of sale - Land	1 022 392	521 000
SALGA	526 000	459 750
Other	2 717 441	1 211 212
	10 245 223	**9 750 526**

	2014 R	2013 R
29 IMPAIRMENT LOSS		
Property, plant and equipment	408 625	4 528 550
Total Impairment loss / (Reversal of Impairment Loss)	**408 625**	**4 528 550**
30 PROFIT ON FAIR VALUE ADJUSTMENT		
Investment property carried at fair value	-	-
Total Profit on Fair Value Adjustment		**-**
31 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	35 525 699	16 176 236
Adjustment for:-		
Depreciation and amortisation	2 881 066	2 127 156
Provision for doutful debt	11 916 736	668 167
Finance costs		-
Fair value adjustments	-	-
Impairment loss / (reversal of impairment loss)	-	4 528 550
Provision for long terms service awards		
Other non-cash item		972 000
Operating surplus before working capital changes:	**50 323 501**	**24 472 108**
(Increase)/decrease in inventories	-189 235	-14 022
(Increase)/decrease in trade and other receivables from exchange transactions	-45 402	-136 102
(Increase)/decrease in trade and other receivables from non-exchange transactions	-532 825	-2 632 134
(Increase)/decrease in VAT receivable	-3 653 605	-2 803 152
Increase/(decrease) in conditional grants and receipts	-21 454 916	19 963 297
Increase/(decrease) in trade payables	-4 347 854	-362 874
Increase/(decrease) in consumer deposits	-	847
Cash generated by/(utilised in) operations	**20 099 664**	**38 487 968**

32 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

	2014 R	2013 R
Bank balances and cash	4 281 522	20 358 983
Net cash and cash equivalents (net of bank overdrafts)	**4 281 522**	**20 358 983**

	2014	2013
	R	**R**

34 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

	2014 R	2013 R
Opening balance -	2 135 190	2 110 313
Fruitless and wasteful expenditure current year	94 159	24 877
Condoned or written off by Council	-	-
To be recovered – contingent asset	-	-
Fruitless and wasteful expenditure awaiting council determination	**2 229 349**	**2 135 190**

Incident	Disciplinary steps/criminal proceedings
Late payments of accounts	

Irregular expenditure

Reconciliation of irregular expenditure

	2014 R	2013 R
	5 663 693	5 663 693
Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting council determination	**5 663 693**	**5 663 693**

Incident	Disciplinary steps/criminal proceedings
Non-adherence to Supply Chain	*Disciplinary hearing*

35 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

	2014 R	2013 R
Contributions to organised local government		
Opening balance	450 000	400 000
Council subscriptions	500 000	450 000
Amount paid - current	-950 000	-400 000
Balance unpaid (included in payables)	**-**	**450 000**
Audit fees		
Opening balance	899 471	523 395
Current year audit fee	1 853 838	1 451 268
Amount paid - current year	-2 787 594	-549 785
Amount paid - prior year	-	-525 407
Balance unpaid (included in payables)	**-**	**899 471**
VAT		
VAT input receivables and VAT output payables are shown in the note. All VAT returns have been submitted.	6 811 701	10 465 306
PAYE and UIF		
Opening balance	**1 249 928**	528 158
Current year payroll deductions	3 860 488	3 157 957
Amount paid - current year	-5 110 416	-1 908 029
Amount paid - prior year		-528 158
Balance unpaid (included in payables)	**-**	**1 249 928**
Pension and Medical Aid Deductions		
Opening balance	1 646 120	1 546 838
Current year payroll deductions and Council Contributions	7 813 814	6 968 170
Amount paid - current year	-9 459 934	-5 322 050
Amount paid - prior year		-1 546 838
Balance unpaid (included in payables)	**-**	**1 646 120**

Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at: -

	Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
as at 30 June 2014			
Councillor KA Lukhalimana	552	441	111
Councillor A.S Thambatshira	33	33	
Total Councillor Arrear Consumer Accounts	**585**	**474**	**111**
as at 30 June 2013			
Councillor KA Lukhalimana	813	669	143
Councillor TS Madume	3 159	3 067	93
Councillor TJ Raluswinga			
Total Councillor Arrear Consumer Accounts	**3 972**	**3 736**	**236**

	2014 R	2013 R
Non-Compliance with Chapter 11 of the Municipal Finance Management Act		

In terms of section 36 of the Municipal SCM regulations, any deviation from SCM policy needs to be approved by the Accounting officer and noted by Council. The expenses incurred, as listed below, have been approved by the Accounting officer and noted by Council. Deviations have been approved in principle subject to controls such as unit cost and costs and budget availability.

Incidents

	2014 R	2013 R
Total amount approved by the Accounting officer and noted by Council	**1 178 128**	

36 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure

	2014 R	2013 R
- Approved and contracted for	**3 529 085**	**13 866 250**
Infrastructure	3 529 085	13 866 250
- Approved but not yet contracted for	**34 267 000**	**7 193 214**
Infrastructure	24 355 000	5 748 214
Other	9 912 000	1 445 000
Total	**37 796 085**	**21 059 464**

This expenditure will be financed from:

	2014 R	2013 R
- External Loans		
- Government Grants	22 855 000	19 114 464
- Own resources	10 712 000	1 945 000
- District Council Grants		
	33 567 000	**21 059 464**

37 EMPLOYEE BENEFITS

	2014 R	2013 R
Opening accrued liability	**1 723 000**	**14 025 157**
Expense (service and interest cost)	334 000	2 788 684
Expected return on plan assets - -		
Actuarial (gain)/loss	-161 000	-1 796 468
Past service cost -		
Effect of curtailment/settlement - -		
Expected benefit payments	-63 000	-1 496 751
Prefunding contributions (towards plan assets) -		
Closing accrued liability	**1 833 000**	**13 520 622**
Projected accrued liability		

An actuarial valuation has been performed of the Municipality's liability for long-service leave benefits relating to vested leave benefits, to which employees may become entitled upon completion of 10 service and every five years thereafter. The provision is utilised when eligible employees receive the value of the vested benefits.

The key assumptions used in the valuation with the prior years assumptions show for comparison are summarised below

	2014	2013
Discount rate	8.40%	7.25%
CPI	6.23%	6.25%
Salary increase at rate 6.90%	7.23%	7.15%
Net discount rate	1.09%	0.09%
Mortality SA85-90 SA85-90	SA85-90	SA85-90
Normal retirement age	63	63

38 CONTINGENT LIABILITY

Contractual disputes

The Municipality is being sued by a contractor for outstanding payments. Based on attorneys conclusions, it is highly probable that the municipality will win the case. Management estimated financial exposure is R600 000.

A wage curve has been made nationally by the courts, which could potentially have huge financial implications. Mmanagement estimated financial exposure of R 234516 (2014) and R128 024.21(2013)

Non compliant

The municipality developed Makwilidza landfill site in the 2007/08 financial year, to which the DEA refused to grant licence or commission for use because it did not meet minimum requirements. Currently the Municipality is dumping waste on an illegal site donated by the tribal leader at Gudani. There is an effort by LEDET to commission Gudani land fill site. In an event that Gudani landfill site get commissioned, there will be a need to decossion Makwildza landfill site. Management estimate financial exposure of R247 470

39 RELATED PARTIES

Members of key management
Close family member of key management
Associate of close family member of key management
Other related party relationships
Compensation to councillors and other key management (refer to note 24 & 25)

Municipality is involved in an Agency relationship with Vhembe District Municipality. Related party transactions are:

Municipality incurs expenditure and collects cash for the provision of water related service on behalf of the District
Municipality is deriving economic beenefit from using office building that was contracted by District.

40 EVENTS AFTER THE REPORTING DATE

There is not event known to the management at the time of preparation that need to be reported after reporting date.

41 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment
Recoverable amounts of property, plant and equipment
Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)
Present value of defined benefit obligation
Provision for doubtful debts
Impairment of assets
Provision for long-term service award

	2014 R	2013 R

42 RISK MANAGEMENT

Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

	2014 R	2013 R
Cash and cash equivalents	4 275 006	301 064
Trade and other receivables	7 531 272	8 109 500
	11 806 279	**8 410 564**

These balances represent the maximum exposure to credit risk.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.
Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk.

At year end, financial instruments exposed to interest rate risk were as follows:

	2014 R	2013 R
- FNB Loan	499 751	848 640
	499 751	**848 640**

43 RESTATEMENT OF COMPARATIVE INFORMATION

Management in review of Management Letter, discovered error ito wrong classification they are here by presented changes in performance & position affected by prior year adjustments.

Net Surplus Effect	**-2 327 443**
service charges	2 646
Interest earned - outstanding receivables	-194 668
Licences and permits	3 026
Property rates	124
Government grants and subsidies	900 000
Employee related costs	3 520
Bad debts	-2 664 528
Depreciation and amortisation expense	-8 438
Finance costs	4 296
Contracted services	64 271
General expenses	-437 692
Impairment loss	-

Net effect to net Asset	**3 639 524**
Inventories	-7 457 713
Property, plant and equipment	10 493 672
Trade and other receivables from exchange transactions	1 541 079
Trade and other receivables from non-exchange transactions	195 279
VAT receivable	-82 818
Intangible assets	-109 903
Trade and other payables from exchange transactions	-674 856
Non-current finance lease	-265 217